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Participation in Yield and Revenue Insurance Products: What Are Important Factors?

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"Participation in Yield
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Rapid expansion in the number of federally subsidized crop insurance products available to farmers since the 1996 Farm Act, along with greater subsidy levels, has been an incentive to farmers' participation.

Many questions arise, how-

ever, about farmers' insurance choices. The issues examined in this article include: Do low-risk producers tend to buy different products than high-risk producers? Does income level affect the choice of insurance product? Do the factors affecting farmers' purchase decisions vary from year to year? Examining the demand for yield and revenue insurance products among corn and soybean producers who purchased insurance in Iowa in 1997, the authors find that high-risk farmers are more likely than low-risk farmers to have chosen higher coverage level contracts and revenue insurance (rather than yield insurance). Within the same risk class, high-income farmers are more likely to prefer revenue insurance to yield insurance. Indeed, the study finds that high-income farmers are 1.5 times more likely than low-income farmers to choose Crop Revenue Coverage (a type of revenue insurance) than yield-only insurance. Across time, the availability of revenue insurance caused additional people to buy insurance and caused certain producers to switch from yield to revenue products.

